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# Globalization and Environmental Sustainability: An Analysis of the Impact of Globalization Using the Natural Step Framework

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**GLOBALIZATION AND ENVIRONMENTAL SUSTAINABILITY: AN  
ANALYSIS OF THE IMPACT OF GLOBALIZATION USING THE NATURAL  
STEP FRAMEWORK\***

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## **GLOBALIZATION AND ENVIRONMENTAL SUSTAINABILITY: AN ANALYSIS OF THE IMPACT OF GLOBALIZATION USING THE NATURAL STEP FRAMEWORK**

Globalization is becoming an increasingly controversial topic as shown by recent protests around the world. To date, however, U.S. business scholars have seldom questioned the basic assumptions of globalization, opting instead to describe the phenomena and focus on best practices. The purpose of this literature review is to broaden the boundaries of the debate on globalization and increase our understanding of its impact beyond the economic sphere into the realm of environmental sustainability. The Natural Step framework is used to organize an analysis of the existing empirical research. It describes four basic system conditions required for sustainability: 1) substances from the earth's crust must not systematically increase in the ecosphere; 2) substances produced by society must not systematically increase in the ecosphere; 3) the physical basis for productivity and diversity of nature must not be systematically diminished; and 4) for the three previous conditions to be met, there must be fair and efficient use of resources with respect to meeting human needs. This objective review of the literature, which appears to be the first of its kind, revealed contradictory findings in some areas as well as evidence that globalization is an uneven process, which has had both positive and negative effects on the system conditions. The Natural Step framework is a good tool for capturing the benefits and liabilities of globalization from a systemic perspective that includes the major areas in the globalization debate: environmental sustainability, inequality, labor conditions and rights, national sovereignty, and cultural and community impact.

**Key Words:** globalization, sustainability, Natural Step

## **GLOBALIZATION AND ENVIRONMENTAL SUSTAINABILITY: AN ANALYSIS OF THE IMPACT OF GLOBALIZATION USING THE NATURAL STEP FRAMEWORK**

The last decades of the twentieth century are characterized by increasing globalization, manifested in the rapid growth of world trade, foreign direct investment, and cross-border financial flows (Lee, 1996). The tools that facilitated this growth were international transportation, technology, and telecommunications that became cheaper, quicker, and of higher quality (Wood, 1995) and now the Internet. However, the movement among nation-states to liberalize their trade policies--removing trade barriers and focusing on exports--also contributed to globalization, a prime example of how government matters in the business sector. Globalization was also influenced by international organizations like the World Bank, the IMF, and the WTO, devoted to increasing trade and development. The result is multinational enterprises (MNEs) with budgets larger than the economies of many countries.

Most U.S. business scholars, along with much of the U.S. business community, accept globalization as a *fait accompli* whose presence and benefits are unquestioned. Few academics<sup>1</sup> have asked whether globalization is the best alternative for organizing trade and investment. Most business research focuses instead on describing global business and how the late 20th century version of the game is best played. In other sectors and other countries, however, globalization has become a controversial topic, as evidenced by labor protests in Korea and France, the Indonesian student riots, and the WTO demonstrations in Seattle. Proponents view globalization as an opportunity for economic growth while opponents perceive it as a threat to economic prosperity, political sovereignty, and cultural integrity. In developed countries the primary concern is the

threat to unskilled workers and contracting industries; developing countries worry more about political sovereignty and losing control of their economies (Champlin & Olson, 1999). The literature on globalization includes many impassioned ideological arguments, both for and against. Most of these arguments, however, lack empirical support. Furthermore, some of the existing research findings are contradictory. As Champlin and Olson (1999) note, the debate cannot be resolved, not because we lack the definitive econometric analysis, but because the debate is defined or framed in different ways. To some, it is simply an argument about the virtues of free markets and supply and demand. To others, it is a matter of economic fairness, cultural and political institutions and concern for environmental impact. There is plentiful, if sometimes contradictory, research on the financial and economic aspects of globalization; the broader impact of this phenomenon, however, has received much less attention by academics.

The globalization controversy naturally impacts the definition of the term itself. Robert Reich refers to globalization as one of those concepts “that has passed from obscurity to meaninglessness without ever having an intervening period of coherence (2000: B-1). This meaninglessness can be traced to its usage as an “all-purpose catchword in public and scholarly debate”(Lechner & Boli, 2000: 1) with different connotations for different parties who support or oppose globalization. The IMF describes globalization as “the growing economic interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology.” (IMF, in Wolf, 1997) Another generally accepted definition of globalization is “the expansion of markets and the reduction of impediments

to the free exchange of goods, services, and assets.” Critics, however, argue that this definition is too narrow. For them and for our purposes in writing this paper, globalization might be more accurately defined as “the process driven by the capital markets of the world seeking the highest financial return, and the economic, environmental and socio-cultural results of that process.”

This paper intends two contributions to the current state of the globalization literature by: (1) expanding the boundaries of the debate to include the impact of globalization from a more comprehensive systemic perspective; and (2) providing an objective analysis of the benefits and liabilities of globalization with regard to environmental sustainability, utilizing The Natural Step framework, based on scientific research rather than rhetoric. As researchers, our goal has been objectivity and the inclusion of as much substantive evidence as we could gather in what seems to be the first attempt to grapple with a systemic view of an admittedly vast topic.

## **THE NATURAL STEP FRAMEWORK**

The Natural Step is a not-for-profit environmental education organization founded by Dr. Karl-Henrik Robèrt. Robèrt, a Swedish pediatric oncologist, was motivated by an anomaly he observed in his work with children suffering from cancer. The parents of these children frequently vowed to do anything they could to save their children, including sacrificing their own lives. Yet, he thought Sweden as a whole was fairly complacent about taking steps to eradicate the environmental causes of cancer. Therefore, Robèrt began a process of dialogue and consensus building about sustainability with scientists; after numerous iterations, fifth scientists agreed on four basic, non-negotiable system conditions for sustainability (Hinrichs, 1996).

Environmental sustainability is defined as meeting the needs of present generations without compromising the ability of future generations to meet their own needs. The Natural Step program promotes sustainability by encouraging people in organizations to consider the following four system conditions (Hinrichs, 1996) whenever they make decisions.

1. **Substances from the earth's crust must not systematically increase in the ecosphere**, which means that fossil fuels, metals and other minerals must not be extracted at a faster pace than their slow redeposit and reintegration into the Earth's crust. This requires a radically reduced dependence on mined minerals and fossil fuels. Businesses must ask themselves this question: "Which materials that are mined from the Earth's surface do we use (e.g., metals, fuels) and can we use less?"
2. **Substances produced by society must not systematically increase in the ecosphere**. Nature cannot withstand a systematic buildup of substances produced by humans, which means that substances must not be produced at a faster pace than they can be broken down and integrated into the cycles of nature or deposited into the Earth's crust. The question for business is: "Which unnatural substances does our organization depend on (e.g., plastics, chemical compounds) and can we use less?"
3. **The physical basis for productivity and diversity of nature must not be systematically diminished**. Nature cannot withstand a systematic deterioration of its capacity for renewal. In other words, societies cannot harvest or manipulate ecosystems in such a way that productive capacity and biodiversity systematically

**4. For the three previous conditions to be met, there must be fair and efficient use of resources with respect to meeting human needs.** Satisfying basic human needs must take precedence over the provision of luxuries, and there should be a just resource distribution. This will result in the social stability and cooperation required to make the changes that will eventually ensure sustainability. The question for businesses is: “Is our organization economically dependent on using an unnecessarily large amount of resources in relation to added human value (e.g., cutting down forests inhabited by indigenous people whose way of life is thereby threatened) and can we lessen this dependence?”

The Natural Step has gained widespread popularity in Swedish society, including Swedish municipalities and multinationals such as IKEA, Electrolux, OK Petroleum, and Scandi Hotels. The program has also spread to other countries. In the United States, Interface, Inc., the Collins Pine Company, and the state of Oregon are among the leading proponents.



## **THE IMPACT OF GLOBALIZATION ON THE NATURAL STEP CONDITIONS**

Generally speaking, global warming, deforestation, ozone depletion, biodiversity, oceans, (Lawrence et. al., 1996) and pollution are the key areas impacted by globalization. The movement of MNEs to countries where environmental laws are absent or not enforced has resulted in greater environmental degradation. However, the 1992 GATT annual report argued that increased incomes resulting from globalization could result in higher rather than lower environmental quality if income gains are spent on environmental protection.<sup>2</sup> “Environmentalists, [by contrast,] argue that increased trade inevitably results in increased consumption and production and, hence lowered environmental quality” (Whalley, 1996, 82).

In this section, we identify the research findings that link globalization and the individual system conditions of The Natural Step. In some instances, globalization has had both positive and negative effects on environmental sustainability, as seen in the tables accompanying this section.

## **System Condition One**

The first condition states that substances from the earth's crust must not systematically increase in the ecosphere, stipulating that fossil fuels, metals and other minerals must not be extracted at a faster pace than their slow redeposit and reintegration into the Earth's crust.

On the positive side, globalization facilitates the dissemination of practices like improved energy efficiency, dematerialization, resource substitution and metal recovery technologies, which are described below.

The industrial ecology movement seeks to improve environmental responsiveness at the same time it reduces the global cost of production for corporations. One of its most important emphases has been dematerialization. Corporations have improved production efficiency, eliminated wastes, and reduced costs through systematic efforts to reduce overall use of materials and through efforts to enhance the service value of their products while de-emphasizing their physical attributes (Allenby and Richards, 1994).

As a result of technological innovations, pressure from consumer groups and organizations and regulatory demands, industrialized countries have drastically improved energy efficiency. Energy use in industrialized countries has decreased substantially over a thirty-year period; each unit of output requires only a third of its former energy inputs (Socolow et al., 1994).

Similarly, globalization has been accompanied by widespread substitution of more environmentally problematic materials and energy sources for those with reduced environmental impacts. Increased reliance on energy from renewable sources provides an example of this movement (Graedels and Allenby, 1995).

On the negative side, globalization is linked with the exportation of technologies and activities that can have detrimental effects on the ecosphere. For example, globalization of metal recovery technologies have major impacts on the earth's crust. When rudimentary technologies are used, 90% of the materials extracted from the ground for conversion into products is discarded. Although less invasive technologies are often available, adoption can be highly capital intensive and unsuitable for adoption in many regions (Socolow et al. 1994).

To illustrate the extent of this effect, Mathis Wackernagel and William Rees popularized the concept of the "environmental footprint." They demonstrated that developed countries require greater per capita material and energy flows, and therefore greater land surface than developing countries. The per capita effect on the earth's crust is greatest in the wealthiest countries, that extract resources at a far greater rate than they can be replaced. Globalization of materially affluent lifestyles, promulgated by the media and increased travel, intensifies the demand for extracted materials (Duchin, 1996).

Most of the indigenous industries in the developing world produced simple goods by employing labor-intensive technology. However, lesser developed countries, lured by the western concept of development, have switched their production focus to modern goods that require extensive infrastructure and industrial projects.

Modern industrial plants and infrastructure, in turn, require megaprojects in the energy sector. Usually, this energy is provided by large hydroelectric dams and nuclear power stations (Khor, 1996). The dam flood large amounts of land, that had previously been forested or used for agriculture. In numerous cases, people are displaced. At times, health concerns surface due to irrigation canals that spread malaria and other water-borne

diseases. There is also a possibility of a tragedy like a burst dam (Khor, 1996). Many of the nuclear power plants located in developing countries do not have the same safety standards found in industrialized countries. If the plant is unsafe, the country faces a dilemma to either halt operations and incur a loss or continue operations and run the risk of an accident. If a plant is deemed safe, the issue regarding the disposal of radioactive waste arises (Khor, 1996).

As a result of globalization, more commodities are exported. For example, 33 percent for all plywood, 84 percent of coffee, 47 percent of bauxite and alumina, 38 percent of fish, 40 percent of iron ore, and 46 percent of crude oil (French, 1993). In Malaysia, timber is a valuable export product that brings in one and a half billion dollars per year in foreign exchange. The environmental cost is, however, devastating. Whereas in 1945, seventy to eighty percent of Malaysian peninsula was forested, at present, most of the forested areas have been cleared. This has resulted in soil erosion, a fall in the water table, and an increase in floods and droughts (Goldsmith, 1996).

Another export-based crop, tobacco depletes soil nutrients at a much higher rate than most other crops (Goodland, 1984). It also requires a large volume of wood to fuel tobacco curing barns. One estimate is that it requires the felling of 12000 square kilometers of forests per year in order to yield 55 cubic meters of cut wood, which in turn is burnt for every ton of tobacco cured (Goldsmith and Hildyard, 1990). Both coffee and peanut plantations also cause serious environmental damage (Goldsmith, 1996).

With regards to fish stocks, more than half of the world's major fishing grounds are in decline and some have been fished out commercially (Wilkes, 1995). Recently, in Canada, the great cod fisheries have been closed indefinitely (Goldsmith, 1996). In the

northwest Atlantic, total catches have fallen by one-third in the last twenty years, and in Europe, the North Sea mackerel stocks have decreased fifty-fold. Many of the fleets are now moving south as the fish stocks in the north are depleted, thus putting the southern fisheries at risk (Goldsmith, 1996).

In Asia and Latin America, mangrove forests have suffered damage as nearly half of the world's mangrove forests have been cut down to support prawn farms. Nearly 120,000 hectares of mangroves have been destroyed in Ecuador, and 100,000 hectares have been destroyed in Thailand. Prawn farms also require large amounts of brackish water, a mixture of fresh water and seawater mix. In Philippines, this over-extraction of groundwater has led to the creation of shallow wells, the drying up of orchards and ricelands, and the intrusion of salt water from the sea (Wilkes,1995).

Table 1 summarizes the impact of globalization on system condition one.

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Insert Table 1 here

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## **System Condition Two**

The second condition of The Natural Step framework concerns substances produced by humans that should not systematically increase in the ecosphere at a faster pace than they can be broken down or deposited into the Earth's crust.

On the positive side of the ledger, globalization has been responsible for creating and exporting technologies that utilize fewer natural resources. Environmentalists claim, however, that globalization encourages greater consumption as more goods are marketed to more people, creating artificial needs and utilizing more natural resources (Goldsmith, 1997; Mander & Goldsmith, 1996).

Globalization has the goal of encouraging countries to make a narrower range of products more efficiently. According to critics, globalization has caused more surplus and scarcity (Brown, Renner & Flavin, 1998), which points to a less-than-perfect utilization of resources. Increased travel by workers seeking jobs (Brown, Renner & Flavin, 1998) and MNE employees utilizes fossil fuel and contributes to global warming. Globalization also promotes the transportation of raw materials and goods using non-renewable resources. The spread of factories around the world has made more infrastructure necessary, which requires extracted substances from the earth.

Some multinational corporations have moved operations to the developing world lured by relaxed safety and environmental regulations. The Bhopal gas tragedy is a prime example of a case where a corporation adopted safety standards that were lower than acceptable levels in its home country (Khor, 1996). Other corporations attempt to sell products that are banned in the home country. Examples are pharmaceutical drugs,

contraceptives and pesticides banned in Europe, America or Japan but sold to developing countries. The exportation of DDT is the most notable example of this practice.

The Green revolution encouraged farmers to grow more than one crop per year through a combination of high yielding seed varieties, agricultural machinery, high doses of chemical fertilizers and pesticides, and irrigation (Khor, 1996). With an increase in production, the farmer could increase his income on the assumption that prices of exported crops would rise. This increase in income, however, was offset by the cost of imported chemical inputs and machinery. As a result, the poorer farmers were driven out of business since agriculture started requiring intensive capital resources (Khor, 1996).

Developing countries have also adopted technologies for fossil fuel combustion. Use of these technologies leads to the large-scale emission of gases and particles into the atmosphere (Socolow et al. 1994). Generation of energy-related pollutants increases with industrial development. Globalization is associated with increases in per-capita income. This, in turn, is associated with increases in both atmospheric pollutants and other forms of waste. Affluent countries produce wastes at very high rates relative to developing countries (The International Bank for Reconstruction and Development, The World Bank, 1992).

Carbon combustion used to produce energy has decreased steadily and dramatically in recent decades. This is a result of a combination of factors including technologies that produce higher energy outputs from combustion and the worldwide use of hydropower to replace carbon-based inputs (Socolow et al. 1994). Other environmentally sound devices, procedures and knowledge are also transferable. According to the United Nations Conference on Environment and Development, 1992,

many technological innovations have been transferred internationally and to developing countries with the result of reduced impact to the earth's atmosphere.

Advances in global information technology help corporations and organizations to monitor the results of their practices. Information technology enables the creation of highly sophisticated models incorporating thousands of interrelated variables and the maintenance and manipulation of vast data banks. Through such innovations, global environmental metrics can be monitored, trends can be projected, and simulations can be analyzed (Graedel and Allenby, 1995).

Table 2 presents the impact globalization has had on this condition.

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Insert Table 2 here

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### **System Condition Three**

The third condition stipulates that the physical basis for productivity and diversity of nature should not be systematically diminished, going beyond the ecosystem's capacity for renewal.

In developing countries, traditional fishing employed simple traps nets with the mesh size large enough to avoid trapping small fish. As a result, breeding grounds were left undisturbed and fish stocks could multiply. With the introduction of modern trawl fishing, there was an increase in the number of trawlers run for profit with the goal of maximum catch for immediate revenue. This led to enormous over-fishing and much of the fish caught was sold as animal feed. The gear used in the trawlers scraped the bottom of seabed and disturbed the breeding grounds (Khor, 1996). As a result, fish stocks decreased in many parts of the developing world for traditional and trawl fishermen.



Furthermore, fish resources in some rivers have been destroyed by industrial toxic effluents and by the pesticide runoff from farming (Khor, 1996).

Another resource that is impacted by globalization is tropical forests. The indigenous peoples living in forests practiced 'swidden agriculture,' an ecologically sound agricultural system that caused minimal soil erosion in hilly areas. The widespread logging efforts of transnational corporations have led to the chopping down of trees for export or to clear land for cattle-grazing areas to support the U.S. beef industry. This massive deforestation has had impacts such as: heavy soil erosion due to removal of tree cover; reduced intake of rainwater in catchment areas; extensive flooding in downstream rural and urban areas; climate change; and loss of land rights for indigenous or tribal peoples (Khor, 1996).

Deforestation of tropical forests and technological innovations in agriculture have also resulted in habitat denial and extinction of species (Rackham, 1986). According to the World Resources Institute, tropical forests are home to almost half of all known plant and animal species on earth, and this is the only home for most of these species. Many more are found in the coastal regions of non-industrialized countries and are affected by corporatization and tourism.

The creation of new species through rearrangement of genetic structures and intermixing also affects biological systems. Researchers have created thousands of new plants, animals, and microbes, and research in this area is proceeding rapidly. Like the introduction of non-native species into a region, introduction of new species can have unpredictable effects on existing ones, and can permanently alter biological systems (Kimbrell, 1996).

One of the most alarming effects of globalization on condition three is evidenced in the patenting of genetically engineered species. The patenting process began with bacteria and has progressed to plants, animals, and human genes. It is currently possible to patent animals. Although human beings cannot be patented, their tissues, cells and organs can be. These need not only be genetically engineered components They can include naturally occurring parts, such as stem cells (Kimbrell, 1996).

Globalization can also help preserve species for anthropological and other purposes. The Human Genome Diversity Project seeks to store samples from unique indigenous human communities around the world (Kimbrell, 1996). Maintenance of seed banks preserve plant species that might otherwise be endangered.

Genetic engineering by its nature can help to preserve species and create new useful species. Endangered species can be preserved through the use of biological techniques, and new species that are better suited for current transportation and usage demands can also be created. “Golden rice,” genetically engineered to address certain health problems in developing regions, is an example of new species that serve potentially useful roles.

Table 3 The Impact of Globalization on System Condition Three

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Insert Table 3 here

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#### **System Condition Four**

This condition concerns *the fair and efficient use of resources to meet basic human needs globally*. Like the other system conditions, globalization has had both positive and negative impacts, as indicated in Table 4. For consumers in many countries, globalization has yielded positive benefits due to increased access to more goods

(Evenett, 1999) and reduced prices due to competition with local monopolies. Poor people in certain countries have been able to buy cheaper imported goods rather than shoddy goods produced by local monopolies (Graham & Krugman, 1991). Furthermore, in some countries, the food supply has increased due to industrial agricultural (Mander & Goldsmith, 1996).

Most of the existing research on system condition four, however, can be divided into the four categories described below: inequality, labor conditions and rights, national sovereignty, and cultural and community impact.

**Inequality.** The fairness requirement of system condition four relates to inequality, one of the major, if disputed, criticisms of globalization. According to some economists, an analysis of income levels reveals that globalization has resulted in winners and losers (Lee, 1996). The effect of globalization on income levels is mixed. According to one estimate, 30-40% of the world population has benefited from globalization, while the rest has not (Valadskakis, 1998). Globalization is blamed for increasing the chasm between new groups of haves and have-nots -- between the well educated and the poorly educated, between the technologically skilled and the unskilled, and between those living in countries that compete successfully in the global economy and those that do not (Frank & Cook, 1995; Pritchett, 1997; UNDP, 1999). Globalization is responsible for creating more jobs in some developing countries, resulting in another group of winners depending on their wage levels. There have been examples of spectacular development, like the Asian Tigers, as well as examples of countries, in Sub-Saharan Africa for example, that are marginalized from the global economy. Some developing countries have suffered job losses in local industries that cannot compete with

foreign multinationals once liberalization occurs and formerly protected markets are open to everyone (Lee, 1996). It is worth noting, however, that there are many factors other than globalization that influence whether nations are poor or wealthy (Landes, 1998). And supporters of globalization argue that it is unfair to prevent developing countries from participating in the global economy, despite lower wages and substandard working conditions (Martin, 1997).

The gap between the richest and poorest 20% of the world population has widened significantly from 1960 when the income ratio of the richest to the poorest was 30:1 to 82:1 in 1995 (UNDP, 1996). The richest fifth of the world's population receives 82.7% of the income (UNDP, 1992). A total of 358 people own as much wealth as 2.5 billion people own together – nearly half the world's population (UNDP, 1996). The global income of the poorest fifth of the world dropped from 2.3 per cent to 1.4 percent between 1989 and 1998 (Glidden, 2000). In virtually all developed countries, the gaps between skilled and unskilled workers in wages and/or unemployment rates have widened (OECD, 1997; Gottschalk & Smeeding, 1997; Murphy & Topel, 1997).

In the East Asian economies, trade liberalization contributed to reduced wage inequality accompanied by rapid economic growth (Lee, 1996). In Latin America, however, wage inequality increased following liberalization, meaning that skilled workers benefited disproportionately (Berry, 1996; Robbins, 1995; see also UNCTAD, 1997; and Wood, 1997).

Researchers agree that the gap between rich and poor has widened; they disagree, however, about whether globalization has caused the gap. Although U.S. wages rose only 5.5% between 1979 and 1993, some economists claim this is not the fault of

globalization since international trade and investment have had little impact (Lawrence, 1995; Sachs & Schatz, 1994). Some studies estimate, however, that shifts in product market demand, including the effect of imports, account for less than 10 percent of the increase in wage differential (Slaughter & Swagel, 1997). Other economists attribute labor inequalities to technological changes (Lawrence, 1996; OECD, 1997) rather than globalization. Another contingent of scholars, however, point to globalization as the cause of inequality (Wood, 1994; Rodrik, 1997; Leamer, 1998). More recent research by Wood (1998) indicates a causal relationship between globalization and the increased demand for skilled rather than unskilled workers in developed countries. Furthermore, Zhao's research (1998) found that foreign direct investments adversely affect union wages and employment.

Nowhere is the inequality between the rich and the poor as great as in the United States. The worth of the average hourly wage is 12% lower than it was in 1973 while the average pay for CEOs is the highest in the world (\$927,896 in 1995) (Longworth, 1999). The after-tax income of the richest 1% of U.S. households increased 72% from 1977 to 1994 while that of the poorest 20% of U.S. households decreased by 16% (Scott, Lea, & Schmidt, 1997). As in other countries, some parts of the United States, like the Silicon Valley, have benefited more than others.

While globalization may not be the only factor involved, there is evidence that it has produced winners and losers on both the individual and country level. The increasing gap between the haves and the have-nots raises the question of fairness; intense debates over the fairness of the competitive advantages held by various countries are fought out at WTO meetings and trade negotiations.

Some economists and political scientists worry about the threat to political stability since, historically, large, apparently insurmountable gaps between rich and poor have been a factor in revolutions (Marquand, 1996). Glidden writes, “Along with ecological risk, expanding inequality is the most serious problem facing world society” (2000, 34).

**Labor Conditions and Rights.** Job displacement and disparate labor conditions are among the most tangible aspects of globalization; both relate directly to the fairness requirement of condition four. Increasing imports from low-wage countries are perceived by some as a threat to manufacturing jobs in industrialized countries, particularly in labor-intensive sectors (Wood, 1994). Firms in developed nations with high wages move their manufacturing or processing operations to low-cost, lesser-developed countries (LDCs). This, of course, is advantageous for the LDCs and the recipients of new jobs. However, the LDCs compete against one another to attract foreign employers to free trade zones, or export processing zones (EPZs). Multinational enterprises (MNEs) are wooed with the lure of tax-free status for a set number of years, facilities and infrastructure, and, in some countries, exemptions from adhering to the national labor code. Five of the eleven nations examined in a U.S. Department of Labor study restricted their citizens’ labor rights in EPZs by allowing foreign firms to ignore national labor laws that were enforced elsewhere in the country (Charnovitz, 1992). According to some sources, EPZ workers are often temporary workers who are fired and rehired as needed to avoid having to provide them with benefits or career paths. When zone workers complain about working conditions, they may be fired (Klein, 2000).

The form of ownership and the transitory nature of many overseas factories have resulted in a different form of social contract between employer and employee. The reliance of some MNEs on local subcontractors who run their factories means that workers do not “belong” to the MNE. This arms-length relationship facilitates the closure of factories when labor costs rise prohibitively and another country becomes more attractive. In these cases, the social contract between employer and employee is limited to the simplest, most expedient transaction — pay for work, which is a stripped-down version of the social contract that exists in most developed countries.

The exploitative practices most commonly cited in EPZs and outsourced-factories are: child labor, hazardous and unhealthy working conditions, absence of collective bargaining, repression of labor unions (Lawrence et. al., 1996), and forced overtime (Klein, 2000). Labor union advocates and others fear that “exploitative practices in low-wage exporting countries artificially depress labor costs, leading to unfair competitive advantage in world markets and a downward pressure on labor standards in rich countries” (Lawrence et al., 1996, 12). There is evidence that globalization has caused downward pressure on wages (Lawrence, 1995) as well as pensions and benefits (Krishnan, 1996; Sutherland, 1998) and has diminished the power of unions (Levi, 2000). Other economists argue that globalization has had very little negative impact on labor conditions and wages (Krugman, 1994).

The onset of globalization served as a trigger event for positive change in some companies – a wake up call that people must work more efficiently and more intelligently, which resulted in increased productivity (**Evenett, 1999**). The labor movement and human rights advocates, however, argue that globalization has had a

negative effect on labor standards and threatens hard-won improvements in labor conditions. They warn about the “race to the bottom,” which assumes that competition will drive labor standards to the lowest common denominator. Interestingly, another aspect of globalization, worldwide telecommunications and the Internet, has contributed to calls for basic labor standards. The increased publicity and communications about poor working conditions in other countries, what is known as the “CNN effect,” has resulted in greater pressure from human rights groups and labor unions (Lawrence, 1996; Lee, 1997). The threat of internet-driven international boycotts of goods made by offending multinationals exerts a counter-balancing force for better labor practices in some cases. Companies that engage in exploitative practices are subject to boycotts, negative publicity, and loss of both good will and revenue (Dohrs & Garfunkel, 1999). Widespread criticism from consumers and protesters induced some MNEs, like NIKE, to demand that their subcontractors provide better working conditions.

Another benefit of globalization for labor is that some workers in LDCs have received more education and training from multinational companies. Furthermore, there is some evidence that increased competition has resulted in upgrading education systems to produce a more highly qualified workforce (Schmidheiny, 1992; Mander & Goldsmith, 1996). As noted in the previous section, workers have more employment opportunities in some countries and less in others where certain industries and firms (e.g., the import sector, small farmers) have been put out of business by global competition (**Mander & Goldsmith, 1996**). Daly (1996) notes that some people have less choice about how they will make their living as a result of globalization.



Table 5 summarizes the positive and negative impacts of globalization on labor conditions and rights.

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Insert Table 4 here

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**National Sovereignty.** Historically, governments played a major role in promoting their country's economic development and managing its economy, albeit in a variety of forms. Today, however, some critics argue that government matters less and less in a global economy. Nation states are just another actor on the global stage, not the directors. Aggressive global production systems and capital markets now occupy the "commanding heights" of global development, forcing governments on the defensive and pressuring them to deregulate, downsize, and privatize many of the social management functions assumed during the past century (Yergin & Stanislaw, 2000). Nation states, defined by political boundaries, are at a disadvantage when they confront the unique pressures of a boundaryless global economy. Who governs a global economy?

"Information technology—through computers—is creating a "woven world" by promoting communication, coordination, integration, and contact at a pace and scale of change that far outrun the ability of any government to manage. The accelerating connections make national borders increasingly porous – and, in terms of some forms of control, increasingly irrelevant" (Yergin & Stanislaw, 2000, p. 215). The growing power of globalized financial markets limits the scope of national policy (Lee, 1996). If nations make different rules for their territory, others (firms, workers, citizens and governments) may complain that the playing field is not level. Yielding one's power to an international

governing bodies, like the WTO or the IMF, however, constitutes a grave threat to national sovereignty (Longworth, 1999).

From the governmental viewpoint, globalization has resulted in more economic development and expanded infrastructure for some countries. Certain countries have benefited from the transfer of modern, more effective management techniques to their business sector. Some observers believe that the increased interdependence of trading and investment partners will draw countries closer together and serve as a deterrent against war (Harris & Goodwin, 1995; Tyson, 1999).

Globalization and international competitiveness has influenced public policy in some countries by encouraging them to lower labor standards (Lee, 1997). Furthermore, governments of developed countries with extensive entitlement programs -- social security systems, health care programs, unemployment pay or welfare systems -- are experiencing greater pressure to decrease such expenditures because they raise the rate of taxation (Longworth, 1999). Nevertheless, Lee (1996) concludes that in spite of increasing globalization, national policies still determine levels of employment and labor standards. He warns, however, that there is a worldwide trend toward smaller government, which is evident in public expenditure reductions, lower taxes, less support for redistribute measures and deregulation of markets, including the labor market. Thus, governments are less likely to compensate the losers from globalization at a time when globalization increases the demand for social insurance (Sutherland, 1998). A global economy allows companies (and the wealthiest citizens) to base their tax-paying in countries with the lowest rates, which decreases the taxes local governments receive from

formerly “local” companies. Capital mobility weakens the tax base, which means there is less capacity for social insurance (Sutherland, 1998).

Grunberg (1998) claims that governments have less funds available as a result of globalization. Many EPZs grant tax-free status for the first years, but some MNEs shut down operations and leave as soon as period is over, because they can take advantage of the same tax-free status elsewhere (Klein, 2000). Furthermore, MNEs sometimes influence local government policy and threaten to leave if their demands are not met. In this way, corporations externalize their costs to others.

As governments struggle (or give up the struggle) with the challenges of regulating global business, a growing number of NGOs are trying to counterbalance the proponents of globalization (Dohrs & Garfunkel, 1999). Many experts agree that governments are not designed or structured to deal with the problems of global business (Glidden, 2000), particularly problems like global warming and environmental degradation, which are inevitable by-products of economic development (Lechner & Boli, 2000: 196).

Table 5 summarizes the positive and negative impacts of globalization on governmental sovereignty.

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Insert Table 5 here

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**Culture and Community.** Globalization may be a positive force for greater cross-cultural understanding via more cross-cultural exposure and closer cross-border ties. “A world of complex connectivity (a global market-place, international fashion codes, an international division of labour, a shared eco-system) thus links the myriad

small everyday actions of millions with the fates of distant, unknown others and even with the possible fate of the planet” (Tomlinson, 1999, 25). Tomlinson, in *Globalization and Culture*, refers to the increased connectivity of the world as a double-edged sword that provides new and wider understanding at the same time it takes away of the securities of one’s local world (1999, 30).

Another criticism leveled at globalization is the development of a monoculture via “cultural colonialism.” In this view, weakened cultural traditions, along with the importation of foreign media, stores, and goods encourage cultural homogenization. Multinational news outlets, like CNN and Rupert Murdoch’s News Corporation, provoked the complaint that the “flow of information” (a term that seemed to include both ideas and attitudes) was dominated by multinational entities based in the most powerful nations (MacBride & Roach, 1989: 286). Chains like Wal-Mart, with lower prices and extensive, standardized inventory, force uniquely local small stores out of business. Monbiot (1995) claims the use of English as the language of business and in the media drives out and threatens minority languages. As transnational corporations grow and become more powerful, there is a concern that the culture of capitalism (heavily influenced by western or U.S. culture and commoditization) will develop into a world monoculture. While cultures have always influenced one another, often enriching them in the process, Hamelink, based on personal observation, concludes that cultural synchronization has been occurring at an unprecedented rate and “never before has one particular cultural pattern been of such global dimensions and so comprehensive” (2000: 312)

There are, however, opposing views to these arguments. Communication experts maintain that the media has been decentralizing with the development of regional centers (e.g., Mexico for Spanish television, India for film, Hong Kong for East Asian film and television) and indigenized programming. Thus, they argue that the homogenizing forces of the media, like satellite television, exist in tension with “heterogenization” (Sinclair, Jacka, Cunningham, 1996). Tomlinson agrees with Hamelink that cultural synchronization is an unprecedented feature of global modernity. But he argues, that, “Movement between cultural/geographical areas always involves interpretation, translation, mutation, adaptation, and ‘indigenisation’ as the receiving culture brings its own cultural resources to bear, in dialectical fashion, upon ‘cultural imports’ (1999, 84). Other observers point out that globalization may be responsible for the increasing popularity of indigenous movements to maintain ethnic identity (Karliner, 2000). While globalization was not the only cause of the Islamic revolution in Iran, it provided a target for rebellion and also forced the Muslims to “identify” themselves and determine how they wanted to live in a global society (Lechner & Boli, 2000).

Critics claim that globalization has irrevocably changed the social landscape of communities and constitutes a threat to national culture. For example, transnational agribusiness has replaced family farms in some areas and cutting down forests inhabited by indigenous people makes it difficult if not impossible for them to maintain their traditional way of life (Keck & Sikkink, 1998; Brown, Renner & Flavin, 1998). The spread of newer cultures and technologies may result in the loss of knowledge about traditional practices and arts that may be more compatible with natural systems. EPZs draw people from rural areas, moving them out of reach of their traditional safety nets. It

is difficult to pinpoint how much of this movement of people from their traditional communities and ways of life can be attributed directly to globalization versus normal development and a desire to better one's life.

Table 6 summarizes the positive and negative impacts of globalization on culture and community.

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Insert Table 6 here

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## **Conclusion**

The short-hand answer to “what is the impact of globalization on environmental sustainability?” is “It’s mixed, but there is a growing body of evidence pointing to harmful effects on the environment. ” Globalization is an uneven process that has resulted in both positive and negative consequences (see Table 7), both winners and losers. A systemic perspective indicates that globalization is neither a panacea nor an unmitigated scourge. It involves serious tradeoffs--economic development and jobs at the cost of serious environmental degradation and weakened labor protection, to name only two. The important lesson is to include these tradeoffs in the debate, in our research, and in the total cost of global business.

Much of the literature on globalization has an ideological bent, which means there is a need for more objective research on its impact and, for U.S. business scholars in particular, more questioning about the basic assumptions of globalization itself. Using Burrell and Morgan's (1979) taxonomy, we see that international business research is both acceptant of the status quo and objective -- falling squarely into the functionalist paradigm with descriptions of the new global economy, its forms and lessons. Given the

unprecedented reach of the current form of globalization with its heightened integration, interdependence, and powerful consequences, we would argue that functionalist research alone is insufficient. Furthermore, the US acceptance of globalization as the status quo may reflect cultural and historical influences. “The global economy is not an act of God, like a virus or a volcano, but the result of economic actions taken by human beings and thus responsive to human control. There is no need to say, as many American economists and businesspeople do, that the market knows best and must be obeyed. This cultural capitalism is confined mostly to the United States and the other English-speaking nations. Other nations, in Europe and in Asia, see the market as the source of both bountiful benefits and lethal damage, and are determined to temper this force to their own priorities” (Longworth, 1999, 4-5). Given the ever-evolving history of economic development and trade, there is little reason for scholars to assume that globalization as we know it today is the final incarnation. Such an assumption is dangerous if it prevents us from seeing other possibilities as well as the systemic consequences.

This brings us back to the question of how the globalization debate is defined and framed. Once the debate is broadened to include more than economic arguments, it seems obvious that free trade without any regulations or constraints has not been wholly successful (Gliddens, 2000). The wealthy nations that advocate free trade are successful in part because they also have laws and institutions that serve as regulators and checks-and-balances that do not exist in all countries. Leaving workers, governments, and the environment to the mercy of an ideology that places unbridled maximization of profit ahead of all else produces mixed results. As Anthony Glidden, director of the London School of Economics, states, “Trade always needs a framework of institutions, as do

other forms of economic development. Markets cannot be created by purely economic means, and how far a given economy should be exposed to the world market-place must depend upon a range of criteria”(Glidden 2000, 35). Scholars could help identify these criteria and broaden the scope of their research to include the systemic impact of globalization.

How do we define corporate accountability in the face of globalization? At present corporate accountability is understood by many as a corporation’s nonbinding response to the demands of those affected by its activities--its investors, the community in which it is operating, or as a company’s voluntary reporting of environmental information (Karlner, 2000). Given the negative results of globalization reported here, it seems obvious that this approach is outdated and overly circumscribed. Business people (as well as politicians, policy makers, and the general public) should be educated about the broader impact of globalization. Social accounting that figures in all the costs of making products, including the cost to the environment and the local community, is a step in the right direction. While there are few quick, easy answers to the problem of an outdated conception of corporate accountability, The Natural Step may be part of the solution.

The Natural Step framework facilitated a systemic analysis of globalization, which seems to include most of the major controversies in the globalization debate. The fairness issue in system condition four takes the analysis beyond environmental sustainability to include a wide variety of human issues. This leads us to believe that The Natural Step approach could also help MNEs see the broader picture and guide their



decision making on complex issues that characterize a global economy dependent on natural resources.

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## APPENDIX

**Table 1 The Impact of Globalization on System Condition One**

Positive Effects	Negative Effects
Relative efficiency of energy use is improving	Development and increased affluence lead to larger demands for materials and energy
Corporations have achieved systematic dematerialization through manufacturing changes	Export of damaging extraction technologies continues, despite existence of alternatives
Damaging materials and energy sources can be substituted to reduce impact	Increased transportation of raw materials uses non-renewable resources
Export of extracted commodities provide valuable foreign exchange	Environmental costs associated with the extraction is staggering
Countries make a narrower range of products more efficiently	In Malaysia, nearly all the timber forests have been cut down
	Growth in prawn farms led to the cutting down of half of the mangrove forests and extraction of groundwater has led to other environmental concerns
	Spread of factories requires more infrastructure using extracted materials

**Table 2 The Impact of Globalization on System Condition Two**

Positive Effects	Negative Effects
Transfer of efficient technologies to assist developing countries in increasing production	Developing nations are exposed to toxic or dangerous technologies
Countries make a narrower range of products more efficiently	Hazardous products are pushed to developing countries in form of pesticides, pharmaceutical drugs, contraceptives
Green revolution introduced to increase crop yield through new seed varieties and imported technology	Requires high doses of chemical fertilizers, pesticides, agricultural machinery and irrigation
Carbon combustion has decreased through the use of alternative energy sources	Increasing fossil fuel combustion emits gases and particles into the atmosphere
Environmentally sound production technologies and knowledge can be transferred	Increased affluence is associated with increased generation of wastes and energy-related pollutants
Creation and transfer of more efficient technologies	Degradation due to agribusiness and logging
	Increased environmental degradation from factories in countries without environmental protection laws

	Caused surplus and scarcity
	Increased consumption uses more natural resources
	Increased travel of workers and MNE employees uses fossil fuel and contributes to global warming

**Table 3 The Impact of Globalization on System Condition Three**

Positive Effects	Negative Effects
Modern trawl fishing maximized catch for maximum immediate revenue	Gross overfishing and equipment used led to a decrease in fish stocks
Creation and transfer of more efficient technologies	Industrial toxic effluents and pesticide runoffs destroyed riverine fish resources
Export of logs to industrial nations; clearing of land for cattle grazing	Led to heavy soil erosion due to removal of tree cover, reduced intake of water in rain catchment areas, extensive flooding, and climate change
	Deforestation can cause extinction; half of known species live in tropical forests
Samples of plant and animal species can be archived	Increased advertising creates artificial needs
Genetic engineering can preserve existing species and create new varieties	Corporations can patent genetically engineered species and human tissues, cells and organs
Increased income may lead to concern for environmental protection	Genetically engineered species can have unpredictable effects on biological systems
	Most of the fishing grounds in northern hemispheres are declining and fishing fleets are moving south
	Cultivation of tobacco is harsh on the soil and curing of tobacco requires a large amount of wood

**Table 4 The Impact of Globalization on Labor Conditions**

Positive Effects	Negative Effects
Increased employment opportunities in some countries	Job displacement affected individuals as companies moved operations to cheaper labor markets
Increased wages for some workers	Certain industries were forced out of business
Upgraded education system in some	Lowered labor standards



countries	
Increased opportunity for education and training in some countries	Caused downward pressure for wages*
	Decreased the power of unions
	Produced a diminished social contract between employer-employee
	Poor health conditions for workers in some countries

\* contradictory research findings

**Table 5 The Impact of Globalization on National Sovereignty**

Positive Effects	Negative Effects
Increased economic development in some countries	Power of MNEs has increased at the expense of governmental power and sovereignty
Expanded infrastructure in some countries	MNEs externalize some of their costs to countries
Transfer of modern management techniques into business sector	Competition for factories and FDI leads some countries to give MNEs too many concessions
Greater interdependence among trading and investment partners may deter war	Some foreign firms influence local government policy and threaten to leave if their demands are not met
	Companies incorporate in countries with low tax rates, depriving their own country of revenue
	Developed countries are pressured to reduce social benefits to reduce the tax rate

**Table 6 The Impact of Globalization on Culture and Community**

Positive Effects	Negative Effects
Increased cultural exposure and understanding	Exacerbated the desire for mobility, disrupting rural life, and moving people out of reach of their traditional safety nets
Closer cross-border ties	Disintegration of local communities
Encouraged the proliferation of indigenous organizations & movements to preserve ethnic identity	Encourages cultural homogenization and a global monoculture

**Table 7 The Impact of Globalization on System Condition Four**

Positive Effects	Negative Effects
Increased access to more goods	Job displacement as companies move operations to cheaper labor markets
Reduced prices due to competition with local monopolies	Exacerbated the desire for mobility, disrupting rural life, and moving people out of reach of their traditional safety nets.
Increased food supply due to industrial agricultural in some countries	Disintegration of local communities
Increased opportunity for education and training in some countries	Damaged self-sufficiency of rural life

Increased employment opportunity in some countries	Weakened cultural traditions and encouraged cultural homogenization and a global monocultural
Increased economic development in some countries	Bankrupted certain industries and groups (the import sector, small farmers)
Expansion of infrastructure in some countries	Weakened governmental power and sovereignty
Transfer of modern, more effective management techniques	Lowered labor standards
Greater interdependence among trading and investment partners	Produced a diminished social contract between employer-employee and employer-community
More cross-cultural exposure and closer cross-border ties	Caused downward pressure for wages
	Created a greater chasm between the haves and the have-nots for both individuals and countries
	Decreased union power
	Corporations externalize their costs to rest of society and world
	Decreased human rights, public health law enforcement, labor rights
	Poor health conditions for workers

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<sup>1</sup> Some notable U.S. exceptions are David Korten, Herman Daly, Paul Hawken.

<sup>2</sup> When countries reach a threshold income level of \$5000 per capita (i.e., above subsistence level), concern for the environment increases.

# **BROADENING THE DEBATE: THE PROS AND CONS OF GLOBALIZATION**

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## **Abstract**

Globalization has become an increasingly controversial topic as shown by recent protests around the world. To date, however, U.S. business scholars have seldom questioned the basic assumptions of globalization. They have opted instead to describe the phenomena and focus on best practices. The purpose of this literature review is to broaden the boundaries of the debate on globalization and increase our understanding of the impact of globalization beyond the economic sphere. The winners and losers resulting from globalization are identified, along with the primary areas it affects: labor, government, culture and community, and the environment. The impact of globalization on these areas is reported, based on empirical research. The literature indicates that globalization is an uneven process, which has had both positive and negative effects. The paper presents the arguments of various stakeholders in the globalization controversy.

## **BROADENING THE DEBATE: THE PROS AND CONS OF GLOBALIZATION**

The roots of globalization began to take hold in the 15<sup>th</sup> century with voyages by intrepid explorers, funded by European monarchs seeking new trade routes. It continued throughout the years of the imperial expansion of Europe, the colonization of other lands primarily for the purpose of trade. In the mercantilist era, trading companies (such as the Hudson Bay Company and the East India Tea Company) governed colonies, merging trade and government. Later on, trading companies were privatized, but intercontinental railways and transoceanic steamships made it possible to open previously protected markets. Global markets, present in the early 1900s, were disrupted by both World Wars. After World War II, the World Bank and the International Monetary Fund were founded to aid development in war-ravaged countries and lesser-developed nations. Later on, the World Trade Organization was created to facilitate the trade required for economic growth. The major difference between traditional trade-driven globalization and the version that flourished in the 1970s and 1980s was the shift from trade to investment and technology. Today, capital flows are more important than trade flows; US\$1.5 trillion moves through the world's money markets (Longworth, 1999). The Internet opened up service markets that were previously protected by geographical distance (Valadskakis, 1998).

The definition and form of globalization has varied since its inception. At present, the generally accepted definition of globalization is the expansion of markets and the reduction of impediments to the free exchange of goods, services, and assets. This definition, however, is too narrow. Globalization is more accurately defined as the process driven by the capital markets of the world seeking the highest financial return, and the economic, environmental and cultural results of that process. The globalization process promotes increased international commerce by lowering barriers to cross-border movements of goods, services, money and know-how, while maintaining barriers to labor migration.

Most U.S. business scholars, along with much of the U.S. business community, accept globalization as a *fait accompli*, whose benefits are assumed. With the possible exception of David Korten (1995, 1997), few business professors have asked whether globalization is the best alternative for organizing trade and investment. Thus, according to Burrell and Morgan's (1979) taxonomy, international business research is both acceptant of the status quo and objective -- falling squarely into the functionalist paradigm with descriptions of the new global economy, its forms and lessons.

Outside business academe, however, globalization is a controversial topic, as evidenced by the growing number of protests (e.g., the labor protests in Korea and France, the Indonesian student riots, and the World Trade Organization (WTO) demonstrations in Seattle). Proponents view globalization as an opportunity for economic growth while opponents perceive it as a threat to economic prosperity, political sovereignty, and cultural integrity. In developed countries the primary concern is the threat to unskilled workers and contracting industries (Lee, 1996; Wood, 1995; Freeman,

1997); developing countries worry more about political sovereignty and losing control of their economies. The literature on globalization includes many impassioned ideological arguments, both for and against. The majority of these arguments, however, lack statistical evidence. Furthermore, some of the existing research findings are contradictory. As Champlin and Olson (1991) note, the debate cannot be resolved, not because we lack the definitive econometric analysis, but because the debate is defined in different ways. To some, it is simply an argument about the virtues of free markets and supply and demand. To others, it is a matter of cultural and political institutions and concern for environmental impact. There is plentiful, if sometimes contradictory, research on the financial and economic aspects of globalization; the broader impact of this phenomenon, however, has received much less attention by academics.

Therefore, this article intends to make three contributions to the existing debate and literature: (1) expand the boundaries of the debate by examining the impact of globalization on other areas in the broader system; (2) provide a balanced, objective analysis of the benefits and liabilities of globalization based on scientific research rather than rhetoric; and (3) offer a description of the current non-economic arguments for and against globalization.

### **Globalization Winners and Losers**

For consumers in many countries, globalization has yielded positive benefits due to increased access to more goods, reduced prices due to competition with local monopolies, and increased food supply due to industrial agricultural in some countries. Poor people in some countries have been able to buy cheaper imported goods rather than shoddy goods produced by local monopolies (Graham & Krugman, 1991).

The effect of globalization on income levels is mixed. According to one expert estimate, 30-40% of the world population has benefited from globalization, while the rest has not (Valadskakis, 1998). Globalization is blamed for increasing the chasm between new groups of haves and have-nots -- between the well educated and the poorly educated, between the technologically skilled and the unskilled, and between those living in countries that compete successfully in the global economy and those that do not (Frank & Cook, 1995; Pritchett, 1997; UNDP, 1999). Globalization has resulted in more jobs in developing countries, creating another group of winners depending on the level of wages they receive. There have been examples of spectacular development, like the Asian Tigers, as well as examples of countries that are marginalized from the global economy. It is worth noting that there are many factors other than globalization that influence whether nations are poor or wealthy (Landes, 1998).

The gap between the richest and poorest 20% of the world population has widened significantly from 1960 when the income ratio of the richest to the poorest was 30:1 to 82:1 in 1995 (UNDP, 1996). The richest fifth of the world's population receives 82.7% of the income (UNDP, 1992). A total of 358 people own as much wealth as 2.5 billion people own together -- nearly half the world's population (UNDP, 1996). The global income of the poorest fifth of the world dropped from 2.3 per cent to 1.4 percent between 1989 and 1998 (Giddens, 2000).

Nowhere is the inequality between the rich and the poor as great as in the United States (Longworth, 1999). The worth of the average hourly wage is 12% lower than it was in 1973 while the average pay for CEOs is the highest in the world (\$927,896 in 1995) (Longworth, 1999). The after-tax income of the richest 1% of U.S. households increased 72% from 1977 to 1994 while that of the poorest 20% of U.S. households decreased by 16% (Scott, Lea, & Schmidt, 1997). As in other countries, some parts of the United States have benefited enormously, like the Silicon Valley, while others struggle to keep up.

In sum, globalization has produced both winners and losers on both the individual and country level. The increasing gap between the haves and the have-nots raises the question of fairness; intense debates over the fairness of the competitive advantages held by various countries are fought out at WTO meetings and trade negotiations. Some observers and political scientists worry about the threat to political stability since, historically, large, apparently insurmountable gaps between rich and poor have been a factor in revolutions (Marquand, 1996). Giddens writes, “Along with ecological risk, expanding inequality is the most serious problem facing world society” (2000, 34).

### **The Impact of Globalization on Labor**

Job displacement is one of the most tangible aspects of globalization. Firms in developed nations with high wages move their manufacturing or processing operations to low-cost, lesser-developed countries (LDCs). This, of course, is advantageous for the LDCs and the recipients of new jobs. However, the LDCs compete against one another to attract foreign employers to free trade zones, or export processing zones (EPZs). Multinational enterprises (MNEs) are wooed with the lure of tax-free status for a set number of years, facilities and infrastructure, and, in some countries, exemptions from adhering to the national labor code. Five of the eleven nations examined in a U.S. Department of Labor study restricted their citizens’ labor rights in EPZs by allowing foreign firms to ignore national labor laws that were enforced elsewhere in the country (Charnovitz, 1992). According to some sources, EPZ workers are often temporary workers who are fired and rehired as needed to avoid having to provide them with benefits or career paths. When zone workers complain about working conditions, they may be fired (Klein, 2000)

The form of ownership and the transitory nature of many overseas factories has resulted in a different form of social contract between employer and employee. The reliance of some MNEs on local subcontractors who run their factories means that workers do not “belong” to the MNE. This arms-length relationship facilitates the closure of factories when labor costs rise prohibitively and another country becomes more attractive. In these cases, the social contract between employer and employee is limited to the simplest, most expedient transaction – pay for work, which is a stripped-down version of the social contract that exists in most developed countries.

The exploitative practices most commonly cited in EPZs and outsourced-factories are: child labor, hazardous and unhealthy working conditions, absence of collective bargaining, repression of labor unions (Lawrence et. al., 1996), and forced overtime (Klein, 2000). Labor union advocates and others fear that “exploitative practices in low-



wage exporting countries artificially depress labor costs, leading to unfair competitive advantage in world markets and a downward pressure on labor standards in rich countries” (Lawrence et al., 1996, 12). There is evidence that globalization has caused downward pressure on wages (Lawrence, 1995) as well as pensions and benefits (Krishnan, 1996; Sutherland, 1998) and has diminished the power of unions (Levi, 2000).

The onset of globalization also served as a trigger event in some companies – a wake up call that people must work more efficiently and more intelligently, which resulted in increased productivity. However, the rhetoric of globalization has also been held over workers’ heads. “The rhetoric is probably a more potent force than globalization itself. An employer doesn’t have to move jobs to Asia to persuade those left behind to take pay cuts. The mere possibility that, in this global age, he can do it is enough” (Longworth, 1999, 10)

The labor movement and human rights advocates argue that globalization has had a negative effect on labor standards and threatens hard-won improvements in labor conditions. They warn about the “race to the bottom,” which assumes that competition will drive labor standards to the lowest common denominator. Interestingly, another aspect of globalization, worldwide telecommunications and the Internet, has contributed to calls for basic labor standards. The increased publicity and communications about poor working conditions in other countries, what is known as the “CNN effect,” has resulted in greater pressure from human rights groups and labor unions (Lawrence, 1996). The threat of internet-driven international boycotts of goods made by offending multinationals exerts a counter-balancing force for better labor practices in some cases. Companies that engage in exploitative practices are subject to boycotts, negative publicity, and loss of both good will and revenue (Dohrs & Garfunkel, 1999). Widespread criticism from consumers and protesters induced some MNEs, like NIKE, to demand that their subcontractors provide better working conditions.

Another benefit of globalization for labor is that some workers in LDCs have received more education and training from multinational companies. Furthermore, there is some evidence that increased competition has resulted in upgrading education systems to produce a more highly qualified workforce (Schmidheiny, 1992; Mander & Goldsmith, 1996). As noted in the previous section, workers have more employment opportunities in some countries and less in others where certain industries and firms (e.g., the import sector, small farmers) have been put out of business by global competition.

Table 1 summarizes the positive and negative impacts of globalization on labor.

**Table 1 The Impact of Globalization on Labor**

Positive Effects	Negative Effects
Increased employment opportunities in some countries	Job displacement affected individuals as companies moved operations to cheaper labor markets
Upgraded education system in some	Certain industries and groups were

countries	bankrupted
Increased opportunity for education and training in some countries	Lowered labor standards
	Caused downward pressure for wages
	Decreased the power of unions
	Produced a diminished social contract between employer-employee
	Poor health conditions for workers in some countries

### **The Impact of Globalization on Governments**

The boundaryless global economy has exerted unique pressures on nation states with their political boundaries. Who governs a global economy? If nations make different rules for their territory, others (firms, workers, citizens and governments) may complain that the playing field is not level. Yielding one's power to an international governing body, however, constitutes a grave threat to national sovereignty (Longworth, 1999). Varying national laws work to the disadvantage of MNEs when they confront unfavorable tariffs, unfair practices, and "dumping," (selling goods below cost or below fair market value in a foreign market). For example, the Foreign Corrupt Practices Act makes bribery illegal for U.S. firms while German companies can write off overseas bribes on their income tax form. However, some MNEs take advantage of less restrictive governments when they sell unsafe products overseas that are banned in their home market or locate in countries with fewer environmental standards.

From the governmental viewpoint, globalization has resulted in more economic development and expanded infrastructure for some countries. Certain countries have benefited from the transfer of modern, more effective management techniques to their business sector. Some observers believe that the increased interdependence of trading and investment partners will draw countries closer together and serve as a deterrent against war (Harris & Goodwin, 1995; Tyson, 1999).

MNEs exert pressure on governments in several ways. Since governments are competing to attract MNEs to their territory, foreign firms sometimes have the upper hand in negotiations. Countries may give away too many concessions to MNEs, which translates into less funds in their coffers for building the necessary infrastructure around EPZs and for other purposes.

Two European journalists espouse a critical view of MNEs and their impact on governments.

At the world level, more than 40,000 transnational corporations...play off their own employees (as well as different nation-states) again one another. A 40 per cent capital gains tax in Germany? That's much too much: Ireland is happy with 10 per cent, while Malaysia and some states in the USA have done without anything at all for five or ten years. Forty-five marks an hour for skilled labour? Much too expensive: Britons work for less than half that, Czechs for a tenth. Only 33 per cent subsidization of new plant in Italy? Much too little: in Eastern Germany the state

gladly contributes 80 per cent....In a global pincer movement, on one front [MNEs] threaten to pull out altogether according to the circumstances of the hour, thus forcing massive tax reductions as well as subsidies running into billions of marks or the provision of cost-free infrastructure. If that doesn't work,...profits are revealed only in countries where the rate of taxation is really low. All around the world, the owners of capital and wealth are contributing less and less to the financing of public expenditure....On the other front, those who manage the global flows of capital are driving down the wage-levels of their tax-paying employees. Wages as a share of wealth are declining worldwide.... Share prices and corporate profits rise in double-digit leaps, whereas wages and salaries sink. At the same time, unemployment is growing in parallel with national budget deficits" (Martin & Schumann, 1997, 7).

Grunberg (1998) notes that governments have less funds available as a result of globalization. Many EPZs grant tax-free status for the first years, but some MNEs shut down operations and leave as soon as period is over, because they can take advantage of the same tax-free status elsewhere (Klein, 2000). Furthermore, MNEs sometimes influence local government policy and threaten to leave if their demands are not met. In this way, corporations externalize their costs to others.

Because of globalization, governments experience pressure from various constituencies: MNEs, local businesspeople or politicians who want to exploit their country's resources, international bodies like the IMF and the World Bank and WTO, and the nongovernmental organizations (human, labor and environmental rights groups) that have formed to protest against globalization. As governments struggle (or make no attempt to struggle) with the novel challenges of regulating global business, a growing number of NGOs are trying to counterbalance the proponents of globalization (Dohrs & Garfunkel, 1999). Many experts agree that governments are not designed or structured to deal with the problems of global business (Giddens, 2000).

Governments of developed countries that have extensive entitlement programs -- social security systems, health care programs, unemployment pay or welfare systems -- are experiencing greater pressure to decrease such expenditures because they raise the rate of taxation (Longworth, 1999). "The rhetoric of globalization already resounds from every rooftop," said David Marquand, a British political scientist. "Why deregulation? To survive the pressures of global competition. Why low taxes and impoverished public services? Because the globalization of financial markets rules out tax increases. Why falling real wages and dwindling social protection? Because our unskilled workers now have to compete with millions of hungry Asiatics, happy to work for even less." (in Longworth, 1999, 10)

A global economy allows companies (and the wealthiest citizens) to base their tax-paying in countries with the lowest rates, which decreases the taxes local governments receive from formerly "local" companies. Capital mobility weakens the tax base, which means there is less capacity for social insurance (Sutherland, 1998).

Table 2 summarizes the positive and negative impacts of globalization on governments.

**Table 2 The Impact of Globalization on Government**

Positive Effects	Negative Effects
Increased economic development in some countries	Power of MNEs has increased at the expense of governmental power and sovereignty
Expanded infrastructure in some countries	MNEs externalize some of their costs to countries
Transfer of modern management techniques into business sector	Competition for factories and FDI leads some countries to give MNEs too many concessions
Greater interdependence among trading and investment partners may deter war	Some foreign firms influence local government policy and threaten to leave if their demands are not met
	Companies incorporate in countries with low tax rates, depriving their own country of revenue
	Developed countries are pressured to reduce social benefits to reduce the tax rate

### **The Impact of Globalization on Culture and Community**

Globalization may be a positive force for greater cross-cultural understanding via more cross-cultural exposure and closer cross-border ties. “A world of complex connectivity (a global market-place, international fashion codes, an international division of labour, a shared eco-system) thus links the myriad small everyday actions of millions with the fates of distant, unknown others and even with the possible fate of the planet” (Tomlinson, 1999, 25). Tomlinson, in *Globalization and Culture*, refers to the increased connectivity of the world as a double-edged sword that provides new and wider understanding at the same time it takes away of the securities of one’s local world (1999, 30).

Critics claim that globalization has irrevocably changed the social landscape of communities and constitutes a threat to national culture. For example, transnational agribusiness has replaced family farms in some areas and cutting down forests inhabited by indigenous people makes it difficult if not impossible for them to maintain their traditional way of life (Brown, Renner & Flavin, 1998; Tisdell, 1997). The spread of newer cultures and technologies may result in the loss of knowledge about traditional practices and arts that may be more compatible with natural systems.

EPZs draw people from rural areas, moving them out of reach of their traditional safety nets. It is difficult to pinpoint how much of this movement of people from their traditional communities and ways of life can be attributed directly to globalization versus

normal development and a desire to better one's life. People, and particularly men, have been forced to migrate to find work throughout history. In the case of the Mexican maquilas (EPZs) along the U.S. border, however, the primary employees are young women, which has had a marked impact on the social structure.

Another criticism leveled at globalization is the development of a monoculture. In this view, weakened cultural traditions, along with the importation of foreign media, stores, and goods encourage cultural homogenization. The uniquely local small stores cannot compete with Wal-Mart's prices and extensive, standardized inventory and go out of business. Monbiot (1995) claims the use of English as the language of business and in the media drives out and threatens minority languages. As transnational corporations grow and become more powerful, there is a concern that the culture of capitalism (heavily influenced by western or U.S. culture) will develop into a world monoculture. In fact, many aspects of culture have been 'commodified', as evidenced in the shopping opportunities incorporated into experiences where they previously did not exist (Tomlinson, 1999). Tomlinson argues, however, that "Movement between cultural/geographical areas always involves interpretation, translation, mutation, adaptation, and 'indigenisation' as the receiving culture brings its own cultural resources to bear, in dialectical fashion, upon 'cultural imports' (1999, 84).

No imported object, Coca-Cola included, is completely immune from creolization. Indeed, one finds that Coke is often attributed with meanings and uses within particular cultures that are different from those imagined by the manufacturer. These include that it can smooth wrinkles (Russia), that it can revive a person from the dead (Haiti), indigenised through being mixed with other drinks, such as rum in the Caribbean to make *Cuba Libre* or *aguardiente* in Bolivia to produce *Ponche Negro*. Finally it seems that Coke is perceived as a 'native product' in many different places – that you will often find people who believe the drink originated in their country not in the United States. (Howes 1966, 6)

Table 3 summarizes the positive and negative impacts of globalization on culture and community.

**Table 3 The Impact of Globalization on Culture and Community**

Positive Effects	Negative Effects
Increased cultural exposure and understanding	Exacerbated the desire for mobility, disrupting rural life, and moving people out of reach of their traditional safety nets
Closer cross-border ties	Disintegration of local communities
	Encourages cultural homogenization and a global monoculture

### **The Impact of Globalization on Environmental Sustainability**

Sustainability is defined as meeting the needs of present generations without compromising the ability of future generations to meet their own needs. The moral basis

for sustainability is the ethical position that destroying the future capacity of the Earth to support life is wrong. Global environmental issues such as global warming, deforestation, ozone depletion, biodiversity, oceans, (Lawrence et. al., 1996) and pollution are the key areas impacted by globalization.

On the positive side of the ledger, globalization has been responsible for creating and exporting technologies that utilize fewer natural resources. Furthermore, some globalization proponents argue that by increased income is linked to greater environmental protection. Environmentalists note that when countries reach a threshold income level of \$5000 per capita, in other words above subsistence level, concern for the environment increases. “The 1992 GATT annual report argued that gains achieved through increased trade will increase real incomes; if these income gains are spent on environmental protection, higher rather than lower environmental quality may result... Environmentalists, [however,] argue that increased trade inevitably results in increased consumption and production and, hence lowered environmental quality” (Whalley, 1996, 82).

Environmentalists worry that globalization will encourage greater consumption as more goods are marketed to more people, creating artificial needs and utilizing more natural resources (Mander & Goldsmith, 1996). Globalization has caused more surplus and scarcity (Brown, Renner & Flavin, 1998) , which points to a less-than-perfect utilization of resources. Increased travel by workers seeking jobs (Brown, Renner & Flavin, 1998) and MNE employees utilizes fossil fuel and contributes to global warming. Globalization promotes the transportation of raw materials and goods using non-renewable resources. Additionally, the movement of MNEs to countries where environmental laws are absent or not enforced has resulted in greater environmental degradation. The spread of factories around the world has made more infrastructure necessary, which requires extracted substances from the earth. In some cases, the use of land to grow food exported to distant populations has resulted in degradation, (e.g., growing cattle in the rainforest).

Tension has developed between environmental advocates in developed countries and LDCs who see environmental quality as a luxury good they cannot yet afford. LDCs wish to develop, as the wealthy countries did, without the restraints of environmental protection laws. Due to the gravity of the environmental conditions, advocates from developed countries want to link trade policies with environmental policies (Whalley, 1996).

Table 4 summarizes the positive and negative impacts of globalization on environmental sustainability.

**Table 4 The Impact of Globalization on Environmental Sustainability**

Positive Effects	Negative Effects
Countries make a narrower range of products more efficiently	Increased consumption uses more natural resources

Creation and transfer of more efficient technologies	Increased advertising creates artificial needs
Increased income may lead to concern for environmental protection	Increased travel of workers and MNE employees uses fossil fuel and contributes to global warming
	Caused surplus and scarcity
	Increased transportation of raw materials uses non-renewable resources
	Increased environmental degradation from factories in countries without environmental protection laws
	Spread of factories requires more infrastructure using extracted materials
	Degradation due to agribusiness and logging

## Conclusion

The short-hand answer to “what is the impact of globalization?” is “It’s mixed” – globalization is an uneven process that has resulted in both positive and negative consequences, both winners and losers. Once the debate is broadened to include more than economic arguments, it seems obvious that free trade without any regulations or constraints has not been wholly successful (Giddens, 2000). The wealthy nations that advocate free trade are successful in part because they also have laws and institutions that serve as regulators and checks-and-balances, which do not exist in all countries. Leaving workers, governments, and the environment to the mercy of an ideology that places unbridled maximization of profit ahead of all else has produced a host of negative consequences. As Anthony Giddens, director of the London School of Economics, states, “Trade always needs a framework of institutions, as do other forms of economic development. Markets cannot be created by purely economic means, and how far a given economy should be exposed to the world market-place must depend upon a range of criteria”(Glidden 2000, 35)

Much of the literature on globalization has an ideological bent, which means there is a need for more objective research on its impact and, for U.S. business scholars in particular, more questioning about the basic assumptions of globalization itself. “The global economy is not an act of God, like a virus or a volcano, but the result of economic actions taken by human beings and thus responsive to human control. There is no need to say, as many American economists and businesspeople do, that the market knows best and must be obeyed. This cultural capitalism is confined mostly to the United States and the other English-speaking nations. Other nations, in Europe and in Asia, see the market as the source of both bountiful benefits and lethal damage, and are determined to temper this force to their own priorities” (Longworth, 1999, 4-5). No one believes that influencing the juggernaut of globalization would be an easy task. As scholars, however, we can do our part by broadening the debate in our research and teaching to look beyond economics toward a systems view that includes all the stakeholders. At a minimum, we

can consider the possibility that what we've seen to date may not be the only way to do global business.

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## GLOBALIZATION BOARD GAME

### PURPOSE:

This game tests knowledge about other countries and promotes greater understanding of the dilemmas that companies face in globalization. It underscores the tradeoffs involved and encourages a systemic view.

### ALTERNATIVE VERSIONS:

- In the first, student-developed version, students provide the questions and global dilemmas after doing research on a specific country. We suspect students will learn the most from this version, and it has the advantage that any countries can be used.
- In the second version, professors can utilize questions and dilemmas we have developed for five specific countries: Germany, China, South Africa, Mexico and Brazil

### TEAMS:

Players work in teams of 4-5 people and are assigned to a particular country.

### MATERIALS:

- Country token color-coded for each country to be moved around the board
- Bundle of Global Dilemma objects that represent each category (money, environmental credits, political support, community goodwill, employee loyalty, or image.).
- Score sheet
- Country questions (provided by students or included in the game)
- Board containing a map, country pinwheels for knowledge categories, and pathways containing Global Dilemmas. You can play the game using any map by just setting the country pinwheels and pathways on it.

### TO START

- Each country team places their token at the entrance to the country pinwheel that is beyond their own country, going clockwise around the map. For example, the Brazilian team begins in Mexico, the Mexican team begins in Germany, the German team begins in China, and the China team begins in South Africa.
- To determine which team has the first turn, the professor can ask teams to think of a number between 1 and 100 or can ask them a globalization question and see which team answers correctly first.
- Either the professor can ask the questions, or the team on the left of the team whose turn it is.
- The beginning team enters the country pinwheel and answers a multiple choice question in the first Country Knowledge Category: General Information. When they answer a question correctly, they can continue on to the next category in a clockwise fashion until they have had an opportunity to answer a question from every category. If they answer incorrectly, they must

wait for their next turn to move to the next category. The team in the neighboring country (clockwise) then takes its turn, beginning with the general information question in their country pinwheel.

- When a team has completed a pinwheel, going clockwise through each category, they enter the pathway to the next country, still going in a clockwise direction. They can choose the category of Global Dilemma they wish to confront, but at some time during the game they must face at least one dilemma from each category. They can keep score on their score sheet of their dilemma categories.

#### COUNTRY KNOWLEDGE CATEGORIES:

When the teams arrive at a country, they travel around a pinwheel by answering a series of knowledge questions in the following categories: general information, culture, politics and economy, natural environment, labor and business practices. The pinwheels are color-coded for each country, and each section of the pinwheel has a representative graphic (e.g., computer for technology, etc.)

As noted in the chronological instructions, teams answer a multiple-choice question from a category, going around the pinwheel in clockwise order. If they answer correctly, they can continue on to another category; if they answer incorrectly, they wait till their next before moving to the next category.

#### GLOBAL DILEMMAS

Between the countries, there are paths that go clockwise around the board. There are several category choices in this path: International Finance, Ethical Quandary, NGO and Media, Technology, and Environmental Impact. Teams have to answer at least one question in each category sometime during the game. They can choose when they want to tackle each category.

In the student-developed version, these categories are like the good or bad luck cards you might pick up in a typical board game. There is no skill involved – you simply gain or lose money or credits according to the described situation. The situations should be taken from real-life globalization issues facing the countries the team studied. They should reflect the tradeoffs involved in globalization. For example, a team might gain money but lose environmental credits.

In the professor-developed version, the Global Dilemmas resemble cultural assimilators consisting of a vignette and 3-4 possible alternatives. One alternative will be better than the others, but each alternative involves trade-offs. As with cultural assimilators, students should learn from reading the alternative answers that will be given to them after they make their choice.

#### SCORE SHEET

Each team will have a score sheet where they can track their progress through the Global Dilemmas and keep track of their bundle of Global Dilemma objects.

## TO END THE GAME

To win, a team must:

- Have answered a Global Dilemma from each category
- Be the first to visit each country and pass through its pinwheel
- Attain a specified minimum amount of money and Global Dilemma objects

## WHEN TO PLAY THE GAME:

### *Options for the Student-developed version*

Student teams should first do research and write a country report on their assigned or chosen country. (Please see the attached instructions for this assignment.) They need time to research the country before they can design good multiple-choice questions and Global Dilemmas.

### *Options for the Professor-developed version*

- 1) The game can be played twice during a course if the professor wishes. Students can play it early in the course with no preparation and then again later in the course to see how much they have learned.
- 2) The game can be played once, but students can be given time to prepare themselves and look up information about the assigned countries. Students can be given a reading list on globalization issues.

## COUNTRY REPORT ASSIGNMENT

**Objective:** Research a country to figure out how to do business with that culture.

### Instructions:

- Prepare and submit a written executive summary consisting of categories and information. (E.g., Key holidays: All Saints Day in October when families visit their ancestors' graves and leave them food.)
- On separate cards, develop ten multiple-choice questions for each category based on your country research: general information, culture, politics and economy, natural environment, labor and business practices. Make the questions moderately difficult. Turn the questions in to the professor by the assigned due date
- On separate cards, develop 4 Global Dilemmas that your country is facing or has faced, one for each category -- International Finance, Ethical Quandary, NGO and Media, Technology, and Environmental Impact. Focus on the tradeoffs involved in the dilemmas and Include on the card what a company would **both** win and lose in this situation -- money, environmental credits, political support, community goodwill, employee loyalty, or image.

### Categories to be included in the inventory:

#### Customs

- greetings
- gift giving related to business
- key holidays
- ceremonies
- tipping

#### Cultural Dimensions (Please use as many dimensions as possible)

- work ethic
- view of time and change
- consequences of non-conforming behavior
- sophisticated stereotype - internal logic of the culture such as Kluckhohn & Strodtbeck's dimensions
- Hofstede's dimensions
- Trompenaars and Hampden-Turner's dimensions
- Important emic cultural values

#### Communication

- Languages spoken and in what setting
- business language
- acceptable topics of conversation/unacceptable topics
- brand of humor
- nonverbal communication used
- paralinguistics (pitch, tone, rate, vocal inflection)

- personal space
- honorifics
- intercultural communication style differences

#### Conflict and negotiating styles

#### Religion

- world view
- rites and rituals
- taboos

#### Family Structure

- parental roles
- child rearing practices
- living arrangements

#### Education

- Emphasis on public or private schooling?
- Statistics on educational attainment levels
- Literacy rate
- Resources available for government education system (well-funded, struggling, etc.)
- Characteristics of the system

#### History

- key historical facts/events
- current events

#### Political System

- state of civil liberties
- type of government
- key political issues
- environmental issues/resources
- Risk factor – stability?

#### Class Structure

- categories and characteristics that may affect business
- presence of class barriers
- ethnic issues
- gender issues

#### Demographics

#### Natural Resources

### Economic Environment

- Economic indicators, GNP, inflation rate, etc.
- Currency regulations
- Exchange rate
- Financial system
- Tax system
- Stock market
- Key products or business segments (economic basis)
- Major imports and exports
- Tariffs
- Market structure
- Standard of living
- Housing conditions

### Globalization-Related Issues

Look for globalization issues affecting your country in these categories:  
International Finance, Ethical Quandary, NGO and Media, Technology,  
and Environmental Impact.

### Geography and climate

### Food and eating etiquette

### Appropriate business dress

### Technology

- availability
- operation capabilities

### Distribution Issues

- infrastructure
- distribution channels

### Stereotypes

- prevalent stereotype of your country
- prevalent stereotype of your country's business practices

### Business Relationships

- With whom do they tend to do business and why?
- Describe business relations with USA or your own culture

### Management

- Employee/employer relations
- Importance of personal relationships at work



- Typical management style
- Decision making practices
- View of authority
- Primary means of motivating employees
- Common types of organizational structure
- Role and view of women in business

#### Human Resource Practices

- Hiring practices and preferences
- Compensation structure
- Employment laws

#### Business Practices

- business cards
- laws
- labor codes
- work schedule
- advancement practices
- benefits for employees
- business meeting behavior (e.g., seating arrangements., etc.)
- after-meeting social etiquette
- bribery or the use of influence
- ethical considerations
- Do's and don'ts
- Measurement system

#### Leisure Activities

- View of leisure
- Sports and recreation
- Vacation practices and schedules

#### Arts

- Important art forms
- Famous artists

## **GLOBALIZATION DEBATE CLASS EXERCISE**

### **PURPOSE:**

The purpose of the exercise is to increase student understanding of the various perspectives on globalization and force them to examine their own views on this subject. It is also an exercise in perspective taking, in which they must try to see an issue from someone else's point of view.

### **OVERVIEW:**

This is a good way to introduce the topic of globalization. Students are asked to place themselves on a human continuum from "very pro globalization" to "very anti-globalization." This line of people is then divided in half and seated on opposing sides of the room for a debate. However, the pro people are asked to argue against globalization and the anti group is asked to argue for globalization. Both sides are given time to prepare for a structured debate. During the debate, everyone is asked to listen for words or attitudes that could be viewed as offensive by people from other countries.

### **INTRODUCTION:**

"Globalization is an increasingly controversial topic, as evidenced by demonstrations in various countries. Therefore, it behooves us to understand the debate and how different people view globalization. I'm going to ask you to decide where you stand on the globalization issue and form a human continuum. If you are very pro globalization, stand at the far right of the room; if you are very anti globalization, stand at the far left of the room. If you are mixed, find a spot in the middle of the room. You will have to talk with fellow students about their stance in order to find your place, relative to theirs, on the continuum.

### **INSTRUCTIONS:**

1. Introduce the exercise, in a similar fashion to that shown above.
2. Divide the human continuum in two groups and ask them to be seated in opposing sides of the room.
3. Tell them they will be arguing the opposite view in the debate. The pro group argues against globalization; the anti group argues for globalization.
4. Give them 20 minutes to prepare their arguments and choose 2-3 debaters for the team. Then the pro side in the debate will begin with a 2-3 minute argument, followed by a 2-3 minute rebuttal by the anti side. (You can add another round if you wish and if they have a lot to say). Let each group regroup and discuss their strategy and arguments after the first (or second) round. Then the anti side will argue first, followed by the pro side's rebuttal. The debaters will sit in front of their team. During the debate, they can receive notes from the rest of the team, but their team should not be talking.
5. Before the debate begins, tell the class that everyone should be listening for words or attitudes that someone from another country might find offensive or insulting.

6. Start the debate and time each side's arguments. Write down any offensive comments.
7. When the debate is over, ask which side had the better arguments and why. You can debrief the debate in various ways, focusing on the actual debating, or the difficulty of designating a "winner". Is it possible to have a winner? What did they learn from the debate? Ask them what it felt like to argue a different position from their own. If they were asked to form another human continuum, would they switch their position?
8. Tell the class that it's very easy to make comments that insult people from other cultures and this is why we try to point out potential problems in the classroom – better the classroom than in a real-life work setting. We're not trying to make anyone feel badly about something they said – we're simply trying to become more sensitive about intercultural communication. Ask the class if they heard any insulting comments, and if you heard some they missed, gently point them out.
9. You can follow up the debate with the PowerPoint presentation on globalization, saying "Let's see if we missed anything in our arguments." Or you can assign the paper entitled, "Broadening the Debate: The Pros and Cons on Globalization" or "Globalization and Environmental Sustainability: An Analysis of the Impact of Globalization Using the Natural Step Framework."

#### PREPARATION:

The instructor can decide whether or not to assign the papers identified in #9 or others before or after the debate. If the students know very little about globalization, you may want to assign some reading ahead of time.

## **GLOBALIZATION AND HUMAN STRUCTURES**

### **PURPOSE:**

This exercise integrates the knowledge gained during a globalization module by identifying all the stakeholders in the globalization debate and how they relate to one another. This will be a living picture of the globalization's system of stakeholders.

### **OVERVIEW:**

Students are asked to identify the key stakeholders in globalization (e.g., MNEs, national politicians, labor, financial institutions, IMF, WTO, consumers, NGOs, farmers, environmentalists, etc.). Next, each student will take the role of a stakeholder and the class will tell them where and how to stand on a "globalization stage."

### **MATERIALS:**

Sheets of paper

Magic marker

Masking tape

Camera (optional)

Students can use any articles in the room as props if they wish.

### **LOCATION:**

Use a room with a clear space at one end that can function like a stage.

Students can sit in a circle facing the "stage" area.

### **INSTRUCTIONS:**

1. Introduce the exercise by explaining that we want to see if we've developed a systemic view of globalization and its key players.
2. Ask them to name the key stakeholders and have someone (or you) write the name of the stakeholder in large letters on a sheet of paper with the magic marker. Put these sheets face down in a pile as they are written. You want one key stakeholder per student, so depending on class size, you may have to jettison some of the minor stakeholders. Or you may be able to group them if that makes sense. If your class is very large, divide them into more than one group and have them work in separate rooms.
3. Ask each student to pick up a sheet of paper and tape it on his or her chest. It doesn't matter which sheet they take.
4. Alphabetically, have the students come up front one by one and receive their instructions from the entire group on where to stand and what they should be doing (e.g., one group told the NGO person to pull on the shirttail of the MNE person). Let the group be creative and they will build a "human structure" that represents their view of globalization. There is usually a good deal of discussion and even debate as they decide where to place people. The discussion is a good indicator of what they have learned about this topic.

5. When everyone has been positioned, take a picture. If you have divided a large class into groups working in separate rooms, have them come together and show their human structure to their entire class. Ask them to look for similarities and differences in the structures.

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